

AR05

1972 ANNUAL REPORT



management
limited



A major Canadian money management organization which supervises over \$600,000,000 of mutual fund, pension fund, corporate and individual investment monies.

and its Subsidiaries

agf Toronto Investment Management Inc.
agf Montreal Investment Management Inc.
agf Vancouver Investment Management Ltd.
AGF Securities Inc.
G.E.F. Management Limited
Canadian Security Management Limited
Corporate Investors (Marketing) Limited

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BOARD OF DIRECTORS

Seated: W.A. Manford, C.W. Goldring, G.B. Sutherland, S.J. Randall
Standing: K.J. Gray, R. Law Q.C., C.H. Otto



**management
limited**

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 Executive Vice-President
C.W. Goldring

 Senior Vice-President
G.B. Sutherland

 Vice-President
K.J. Gray

 Assistant Vice-President
W. Sametz

 Secretary
D.G. Pittet

 Treasurer
I.A. Shaw

 Assistant Treasurer
J.E. Hall

Head Office
50th Floor, Toronto Dominion Bank Tower, Toronto

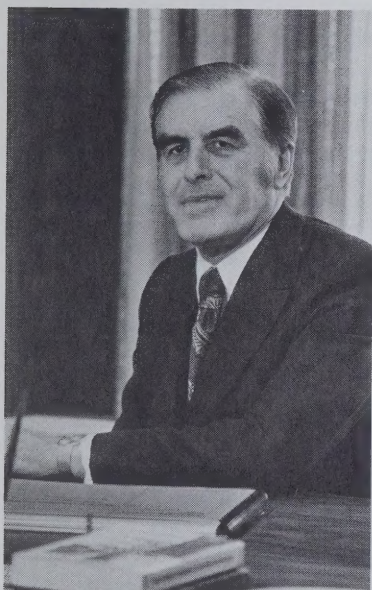
Auditors
Price Waterhouse & Co.

Registrar & Transfer Agent
Guaranty Trust Company of Canada



**agf management
limited**

MANAGEMENT COMMITTEE



W.A. Manford



C.W. Goldring



G.B. Sutherland



K.J. Gray

SENIOR OFFICERS OF SUBSIDIARIES

agf Toronto Investment Management Inc.
President — Gordon Macleod
Executive Vice-President — William Hutchison

agf Montreal Investment Management Inc.
President — C.H. Otto

agf Vancouver Investment Management Ltd.
President — Peter Cundill

AGF Securities Inc.
President — Thomas Lailey

SENIOR PORTFOLIO MANAGERS

W.D. Cameron
American Growth Fund Limited
W.R. Farquharson
Growth Equity Fund Limited
E.A. Walker
Canadian Gas and Energy Fund Ltd.
R. Whiting
AGF Special Fund Limited
G.D. Linklater
Computer Analyst
N. Rutland
agf Toronto Investment Management Inc.
W.J. Smith
agf Toronto Investment Management Inc.
D.C. Marriott
agf Toronto Investment Management Inc.
R.H. Gibson
agf Montreal Investment Management Inc.
M. Davidson
agf Montreal Investment Management Inc.

PRESIDENT'S REPORT TO SHAREHOLDERS

The past year was one of sharp recovery and growth for AGF Management Limited with earnings rising from \$387,742 or 21¢ per share in fiscal 1971 to \$954,626 or 50¢ per share for 1972.

All major divisions of our business registered gains with revenues from management and investment counsel fees, sales commissions and AGF Securities Inc., all sharing in the rise. Working capital also increased from \$1,564,709 to \$2,156,733.

Of even more importance to the long-term growth of the Company were the major acquisitions ~~accomplished~~ during the past six months which virtually doubled the ~~Company's~~ assets under management.

The first of these transactions was the agreement to purchase from The Toronto-Dominion Bank and Loomis, Sayles & Company Incorporated, Boston, the investment counsel business of Loomis, Sayles & Company (Canada) Limited and the shares of Corporate Investors (Marketing) Limited, manager and distributor of Corporate Investors Limited and Corporate Investors Stock Fund Limited.

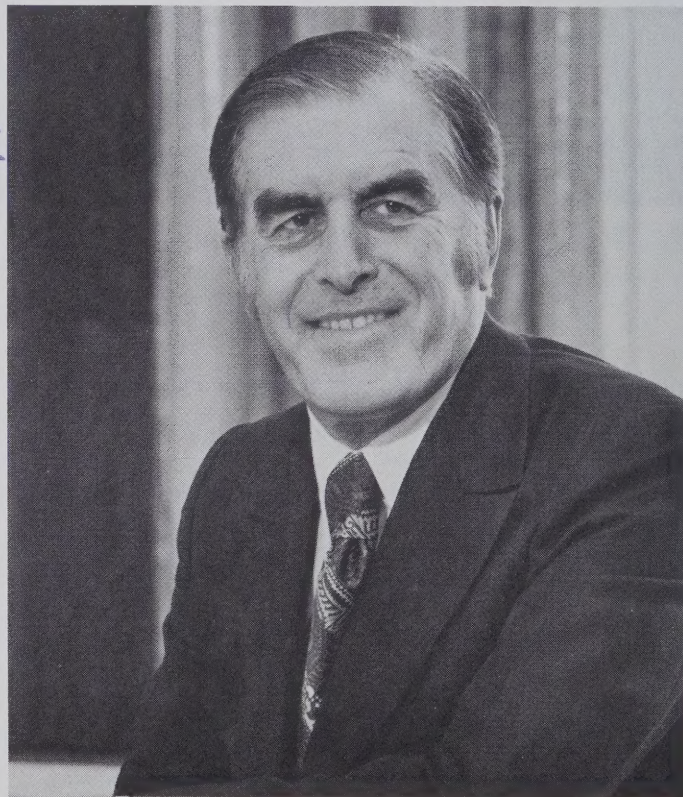
The second acquisition subsequent to our fiscal year end was the purchase from Gairdner and Company Limited of all the voting common shares of Canadian Security Management Limited, manager and distributor of Canadian Gas and Energy Fund Ltd., Canadian Security Growth Fund Ltd. and CSM Japan Fund Ltd. We are currently preparing an offer to the holders of CSM Class A shares and CSM warrants to purchase their shares and warrants in exchange for AGF Class B shares and AGF warrants on a 7 for 1 basis.

After giving effect to these acquisitions, assets under the Company's management now total over \$600,000,000, comprising one of Canada's largest investment counsel operations and the country's second largest mutual fund organization. It is our intention to further round out this major asset management business with potential new operations in Canada, the United States and Japan.

Our own investment and administration specialists together with those gained through our acquisition program are the true assets of our business and in the pages which follow we present a brief summary of our money management functions and the senior people who contribute to their successful operation.

For 1973 we feel that economic and stock market trends should be generally favorable to our business and we look forward with confidence to further growth in the years ahead.

Submitted on behalf of the board of directors.



W.A. Manford,
President.



**management
limited**

THE MODERN ECONOMY ITS PROBLEMS – ITS OPPORTUNITIES & THE NEED FOR MONEY MANAGEMENT

The acquisitions made last year give your company a fully-rounded capability in the asset management business, where there is a rapidly growing need and demand for our services. The causes of this growth can be found in a variety of economic, social and political trends.

The raw material for your company's activities is provided by the accumulation of portfolio assets in private and public hands. The mixture of capitalism and socialism which characterizes the industrial nations of the west, is a prolific generator of monetary capital. Economic expansion, population increase, rising standard of living, organized saving – these and other factors assure an expanding market for our services.

The growth in portfolio assets is accompanied by a proliferation of the ways in which they can be employed. It is no longer appropriate to think of investment as solely concerned with stocks and bonds. Investment now flows into a wider range of outlets than ever before, and added to the domestic options is an increasing variety of international securities.

Successful investment has never been easy, because the future is less than predictable. But the investor now has to think more carefully than ever about his objectives because he is surrounded by such rapid change. It used to seem that business cycle research would provide the answer to most investment questions; now economies and politics are mixed in ways which make the investor's problem extremely complex. The role of money as a store of value is in doubt because of inflation; the formation of large trade blocks threatens traditional competitive positions; international currencies are emerging from the long era of dollar domination into an as yet undefined system; the economic term "scarce resources" has taken on a new significance with the hard fact of energy shortages; technological change continues to trap the unwary.

Your company has assembled the means to provide the professional asset management skills which will be widely needed to cope with the three challenges we have mentioned: the growth of portfolio assets, the proliferation of investment outlets and the increasing complexity of investment objectives. In the pages that follow we have tried to portray some of the ingredients which help make your company one of the most highly experienced and best-qualified in our industry.

THE MONEY MANAGEMENT PROCESS



Investment Policy

Left to right: Gordon Macleod (22), Carl Otto (12), Allan Manford (32), Warren Goldring (24), and Bill Hutchison (14). (Numbers beside the names indicate the number of years experience in investment management of each).

Basic investment policy and strategy guidelines are formulated by the senior investment officers of the Company and of its investment counsel subsidiaries in conjunction with senior fund and account managers.

Highly sophisticated econometric models of both the U.S. and Canadian economies plus the opinions and judgements of other highly respected economists, financial experts and market technicians in both countries and our own in-house research and computer systems aid the committee in establishing policy.

Policy decisions are then translated by our portfolio managers and counsellors into whatever action is necessary to meet the special requirements of each fund and client portfolio.



Market Analysis

The stock market, the bond market and the mortgage market require sophisticated monitoring because each reflects a different aspect of the economy as a whole. *Above, Richard Whiting, Bill Cameron and Noel Rutland are reviewing current trends in these markets.*

Research

The research activities of AGF Management Limited involve the gathering of information in respect to general business conditions, securities markets, industries and individual companies. In addition to various outside sources, information is internally developed and research files are maintained on approximately 300 separate Canadian and 500 U.S. corporations. An equally important part of the research function is the computer-assisted processing of the information into definite investment conclusions and the transmission of these decisions into the hands of those members of the organization responsible for the day-to-day operation of client's portfolios.



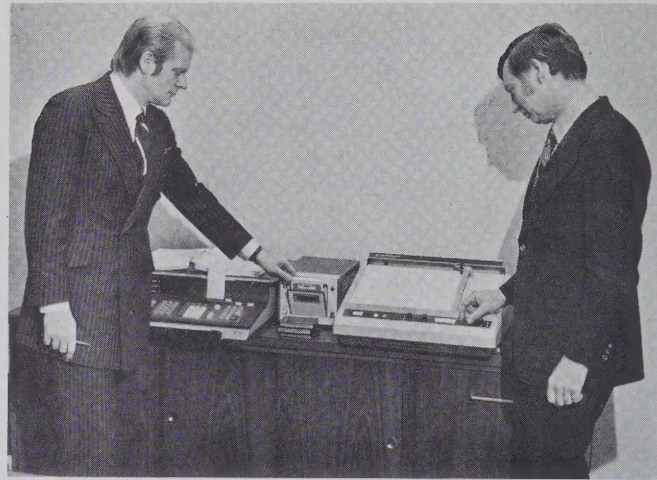
In the picture above, Bob Farquharson, Ted Walker and Gordon Macleod are shown discussing current drilling activity in the Mackenzie Delta area.



Processing of Data

Sorting and analysing these large amounts of information is a job to which computers are ideally suited. We therefore make use of large capacity general-purpose computers for investment research and for client record-keeping. In addition we are taking advantage of the increasingly wide range of special-purpose equipment which is now available, thanks to ever-improving technology. Illustrated is a flat bed plotter which is operated by a specialized economic data bank stored on tape cassettes.

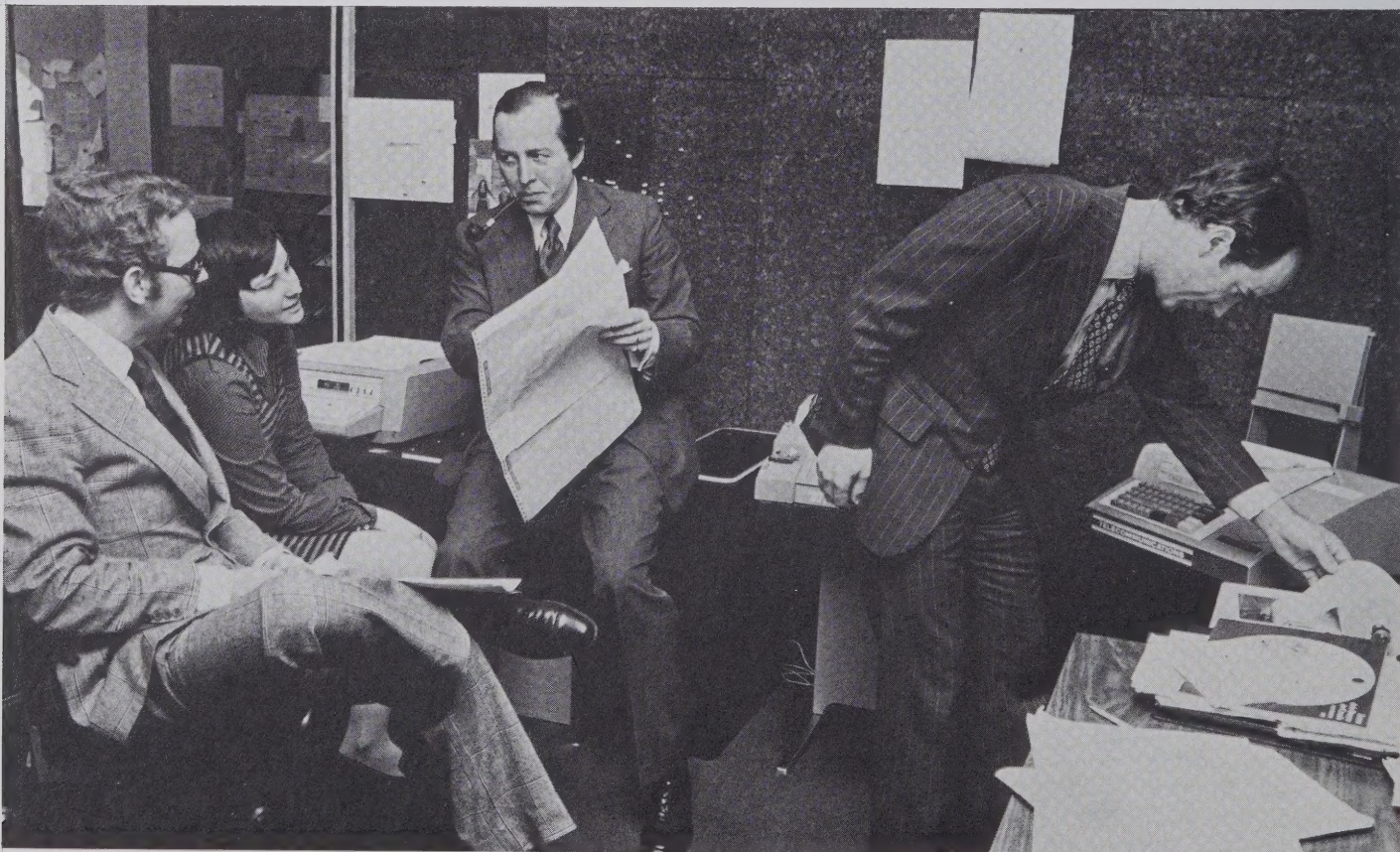
Bill Hutchison and Gord Linklater operating the Flat-Bed Plotter.



Decision Making

The huge volume of information which started with a survey of the economy and the financial markets, scrutiny of the financial statements of hundreds of companies, the facts, ratios and trends worked out by computers added to the psychological factors which affect the marketplace, all come down to a single final decision — to buy or sell in accordance with the requirements of the individual funds or accounts.

The picture below illustrates the decision making process in agf Montreal Investment Management Inc., with Bob Gibson, Susan Blanchard, Carl Otto and Michael Burpee discussing a solution to a particular problem.



ADMINISTRATION AND COMMUNICATIONS

Another key factor in the money management process is the provision of complementary administrative expertise and services to all clients. The Company has continued to increase and expand its capabilities in this area in order to accommodate a continually changing client service demand and to provide complete and timely information to all regulatory and government agencies. The goal at all times is efficient and accurate communication.

To process and control the substantial data handled by administrative services, the Company uses the latest techniques of computer processing, modern data retention and records management systems as well as telephone and teletype networks.

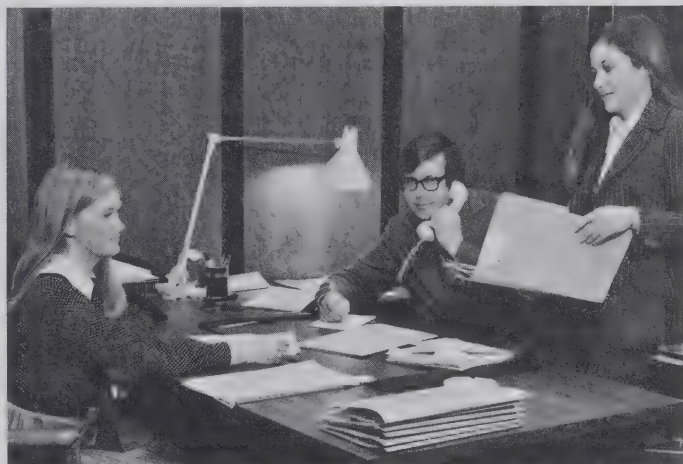
Final success is dependent on good people. The Company prides itself on its record of accomplishment made possible by the quality of our staff members.



*Financial & Legal Meeting
Walter Weninger, Ian Shaw, John Hall, Doug Pittet*



*Administration Meeting
Fletcher Keating, Gail Sims, Eric Paterson, Vic Butler*












*Client Service & Communication
Barbara Evans, John Elder, Martha White*



*Computerized Word processing in operation
Operator — Audrey Shaw*

The Company offers the most exciting and most complete range of Mutual Funds in Canada. They are designed to fill every investment need under varying economic and stock market conditions.

| | | |
|------------------------------------|--|---|
| High Income & Stability of Capital |  canadian trusteed income fund | A high quality bond fund with some holdings of "blue chip", preferred and common stock. The current distribution rate is 8% per annum. |
| Balanced Investment |  corporate investors limited | One of Canada's oldest funds, offering a balance of stability, income and growth between stocks and bonds as warranted by market conditions. |
| Conservative Growth and Income |  canadian security growth fund ltd. | One of the few mutual funds that meets the criteria established by the Provincial Pension Benefits Acts, and the Canadian and British Insurance Companies. |
| Conservative Growth and Income |  corporate investors stock fund limited | A conservative growth and income fund with a portfolio of U.S. and Canadian Stocks, varying as market conditions appear to warrant. |
| Capital Growth U.S.A. |  american growth fund limited | A dynamic Canadian Mutual Fund providing long term capital growth through investment in the major growth industries and companies of the United States, including many not available in Canadian markets. |
| Capital Growth Canada |  growth equity fund limited | This fund offers shareholder participation in growth securities in the Canadian market, ranging from 'Blue Chip' issues to medium size equities with an entrepreneurial flair. |
| Capital Growth Japan |  csm japan fund ltd. | This fund allows both private and institutional investors to participate in the dynamic growth of the Japanese economy through the Tokyo Stock Market. |
| Capital Growth Oil & Gas |  canadian gas and energy fund ltd. | This twelve year old fund offers shareholders a sound and convenient way to invest in the oil, gas and mineral industries in Canada and abroad. |
| Speculative Growth |  agf special fund limited | Invests in the securities of emerging growth companies in Canada and the United States, which appear to offer the potential for above average capital gains. |

TAX SAVING PROGRAMS

* **For Individuals** — the Funds opposite are government approved for Registered Retirement Savings Plans. Investors can deposit up to \$4000 annually and deduct this entire amount to arrive at their taxable income.

* **For Corporate Employees**

Through its Group Sales Division, the Company markets various types of Thrift and Deferred Profit Sharing Plans to corporations and their employees. Under the tax shelter plan, employee/employer contributions up to a maximum of \$6500 for each individual employee can be claimed as a deduction to arrive at taxable income. The personnel of this division work closely with actuarial and employee benefit firms in order that the plans can be tailored to the requirements of each individual company.



canadian
trusteed
income
fund



growth
equity
fund
limited



canadian
security
growth
fund ltd.



corporate
investors
limited



corporate
investors
stock fund
limited

DISTRIBUTION

The AGF GROUP OF FUNDS are distributed through a coast to coast network of stock brokers, investment dealers and the Company's own 250-man sales force.

Below, senior marketing executives, Bruce Sutherland and Ken Gray are discussing the Company's promotional programs.



INVESTMENT COUNSEL OPERATIONS

The investment counsel activities of the Company are carried on by three regionally diversified firms:

agf Toronto Investment Management Inc.
agf Montreal Investment Management Inc.
agf Vancouver Investment Management Ltd.

One of the most challenging aspects of asset management is the management of pension funds which is the main investment counsel activity in each office. Increasing employee pensions plus higher costs are leading many companies to the conclusion that vigorous, effective management of pension fund assets is essential. To achieve the difficult goal of maximum return on assets, consideration must be given to stocks, bonds, and mortgages on the basis of their suitability. In addition to pension funds, the investment counsel companies also manage institutional funds and the assets of individuals.

A unique strength of the Company's investment counsel activities is the fact that it is the only asset management company in Canada with offices in Montreal, Toronto and Vancouver. The personnel in each office are of the highest quality in terms of professional

attributes, and this geographical diversification enables each company to obtain local information which, particularly in the natural resource field, is so vital to successful operations. By means of these three offices, as well as the long experience of the key people in the asset management field, AGF has developed a network of knowledgeable experts who can be called upon whenever appropriate in the event, for example, of a natural resource development. These experts comprise people within the investment industry, independent consulting geologists, petroleum engineers, as well as successful operating people in their respective areas.

A second unique strength is its employment of computer capability for economic, industry and company analysis, stock selection, appraisals and measurements of rate of return. Only a major company in the asset management field can afford the very substantial commitment to computers and to the people trained to utilize them.

The outlook is for considerable growth in this business not only because of the internal growth of the accounts presently under management, but also many companies are turning to asset management companies with a record of good performance and sophisticated techniques in order to attain their investment objectives.



INTERNATIONAL OPERATIONS



United States

AGF Securities Inc., a member of the Pacific Coast Stock Exchange, is active as a broker and also as a specialist on the floor of the Exchange. Where Fund transactions are transacted through the facilities of AGF Securities Inc. on the Pacific Coast Stock Exchange, the profit is returned to the Fund's Shareholders by reducing the management fee.

It is increasingly important for asset managers to play a role in controlling transactions because very considerable amounts of money can be saved through prompt, effective executions at minimal cost, not only on the stock exchange but also through third and fourth market transactions.



*Tom Lailey, president
AGF Securities Inc.*



Japan

The selection and supervision of securities for our CSM Japan Fund is carried out by the Nomura Research Institute in Tokyo, Japan. Nomura employs 170 highly skilled research specialists in industry, economics, engineering and life sciences. The Company also exercises investment policy supervision.



Europe

The Company maintains a liaison office in Frankfurt A/M, West Germany for the distribution of its Funds through dealers and banks.



**agf management
limited**

and its subsidiaries,

CONSOLIDATED BALANCE SHEET

| | November 30 | |
|--|---------------------|---------------------|
| Assets | 1972 | 1971 |
| Current assets | | |
| Cash and term deposits | \$ 2,567,675 | \$ 1,815,430 |
| Cash held in trust | 436,989 | 20,738 |
| Receivable for sales of mutual fund shares | 1,223,034 | 9,525,033 |
| Receivable for securities transactions | 2,356,203 | 353,396 |
| Other accounts receivable | 199,504 | 134,898 |
| Trading account securities — long, at market | 310,007 | 22,387 |
| Marketable securities, at lower of cost and written down value (market value \$259,568; 1971 — \$139,976) | 257,561 | 140,654 |
| Prepaid expenses | 65,180 | 45,594 |
| | <u>7,416,153</u> | <u>12,058,130</u> |
| Office furnishings, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$282,023 (1971 — \$228,222) | 188,958 | 193,703 |
| Other assets, at cost | 192,720 | 168,974 |
| Excess of cost of shares of subsidiary companies over book value at dates of acquisition | 427,748 | 139,487 |
| | <u>\$ 8,225,579</u> | <u>\$12,560,294</u> |

APPROVED ON BEHALF OF THE BOARD:

Director: W. A. Manford

Director: R. Law

Auditors' Report

To the Shareholders of A.G.F. Management Limited:

We have examined the consolidated balance sheet of A.G.F. Management Limited and its subsidiaries as at November 30, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Liabilities and Shareholders' Equity

| | November 30 | |
|--|---------------------|---------------------|
| | 1972 | 1971 |
| Current liabilities | | |
| Bank loan secured by trading account securities | \$ 100,432 | \$ — |
| Payable for purchases of mutual fund shares | 1,630,266 | 9,496,111 |
| Payable for securities transactions | 2,329,633 | 316,719 |
| Trading account securities — short, at market | 15,695 | 74,879 |
| Accounts payable and accrued liabilities | 601,372 | 485,706 |
| Income taxes payable | 563,297 | 101,946 |
| Deferred income taxes | 18,725 | 18,060 |
| | <u>5,259,420</u> | <u>10,493,421</u> |
| Deferred income taxes | 8,000 | 6,140 |
| Interest of minority shareholders in net assets of subsidiaries | 45,398 | 27,534 |
| 7½% convertible debentures (Note 2) | 375,000 | — |
| Shareholders' Equity | | |
| Capital stock (Notes 2, 3, 4 and 9) | | |
| Authorized — | | |
| 2,700,000 Class B non-voting participating preference shares without par value | | |
| 240,000 common shares without par value | | |
| Issued and outstanding — | | |
| 1,858,923 Class B shares (1971 — 1,855,773 shares) | 614,551 | 603,551 |
| 2,400 common shares | 40 | 40 |
| | <u>614,591</u> | <u>603,591</u> |
| Retained earnings (Notes 4 and 9) | 1,923,170 | 1,429,608 |
| | <u>2,537,761</u> | <u>2,033,199</u> |
| | <u>\$ 8,225,579</u> | <u>\$12,560,294</u> |

In our opinion these consolidated financial statements present fairly the financial position of the companies as at November 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
January 12, 1973

Price Waterhouse & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

| | Year ended November 30 | |
|--|------------------------|-------------------|
| | 1972 | 1971 |
| Revenue | | |
| Commissions | \$ 3,201,395 | \$ 2,488,810 |
| Management and investment counsel fees | 2,412,729 | 1,578,938 |
| Stock exchange specialist operations | 122,320 | (46,962) |
| Administration fees and other revenue | 427,150 | 483,233 |
| | <u>6,163,594</u> | <u>4,504,019</u> |
| Expenses | | |
| Commissions | 1,693,664 | 1,212,180 |
| Selling, general and administrative | 2,528,450 | 2,469,196 |
| Interest on debentures | 11,335 | — |
| Depreciation and amortization | 36,739 | 38,937 |
| | <u>4,270,188</u> | <u>3,720,313</u> |
| Net income before income taxes and interest of minority shareholders | 1,893,406 | 783,706 |
| Provision for income taxes | | |
| Current | 913,223 | 386,591 |
| Deferred | 2,525 | — |
| | <u>915,748</u> | <u>386,591</u> |
| | 977,658 | 397,115 |
| Interest of minority shareholders in earnings of subsidiaries | 23,032 | 9,373 |
| Net income for the year | <u>\$ 954,626</u> | <u>\$ 387,742</u> |
| Earnings per share | <u>51¢</u> | <u>21¢</u> |
| Fully diluted earnings per share (Note 9) | <u>50¢</u> | <u>21¢</u> |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

| | Year ended November 30 | |
|---|------------------------|---------------------|
| | 1972 | 1971 |
| Retained earnings at beginning of year | \$ 1,429,608 | \$ 1,434,268 |
| Net income for the year | 954,626 | 387,742 |
| | <u>2,384,234</u> | <u>1,822,010</u> |
| Deduct (Notes 4 and 5) | | |
| Dividends paid — 14¢ per share (1971 — 7¢ per share) | 260,557 | 130,072 |
| Taxes paid to create tax-paid undistributed surplus under the Income Tax Act | 70,435 | 39,349 |
| Dividend of 1,858,173 Class A preference shares (7¢ par value) paid out of tax-paid undistributed income [1971 — 1,858,173 Class A preference shares (12¢ par value)] | 130,072 | 222,981 |
| | <u>461,064</u> | <u>392,402</u> |
| Retained earnings at end of year | <u>\$ 1,923,170</u> | <u>\$ 1,429,608</u> |

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

| | Year ended November 30 | |
|---|------------------------|---------------------|
| | 1972 | 1971 |
| Funds provided | | |
| From operations — | | |
| Net income for the year | \$ 954,626 | \$ 387,742 |
| Add (Deduct) Charges (Credits) not affecting working capital | | |
| Depreciation and amortization | 36,739 | 38,937 |
| Deferred income taxes | 1,860 | (3,660) |
| | <u>993,225</u> | <u>423,019</u> |
| Issue of debentures | 375,000 | — |
| Issue of Class B shares | 11,000 | 5,400 |
| Increase in interest of minority shareholders in net assets of subsidiaries | 17,864 | 5,647 |
| | <u>1,397,089</u> | <u>434,066</u> |
| Funds applied | | |
| Purchase of office furnishings, equipment and leasehold improvements | 31,994 | 22,290 |
| Increase in cost of shares of subsidiaries over book value at dates of acquisition (Note 1) | 288,261 | 565 |
| Increase (reduction) in other assets | 23,746 | (83,630) |
| Dividends — | | |
| Cash | 260,557 | 130,072 |
| Class A shares subsequently redeemed for cash | 130,072 | 222,981 |
| Taxes paid to create tax-paid undistributed surplus under the Income Tax Act | 70,435 | 39,349 |
| | <u>805,065</u> | <u>331,627</u> |
| Increase in working capital during the year | <u>592,024</u> | <u>102,439</u> |
| Working capital at end of year | <u>\$ 2,156,733</u> | <u>\$ 1,564,709</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30th, 1972

Note 1

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

Acquisition of Corporate Investors (Marketing) Limited

Effective October 31, 1972, the Company purchased all of the outstanding shares of Corporate Investors (Marketing) Limited, a Company engaged in the management and distribution of two mutual funds, Corporate Investors Limited and Corporate Investors Stock Fund Limited which had assets totalling approximately \$22,000,000 at November 30, 1972. This acquisition has been accounted for as a purchase. The details are set out below:

| | |
|--|------------------|
| Book Value of net assets acquired at October 31, 1972 | \$ 41,739 |
| Excess of cost of investment over net assets | 288,261 |
| Cash purchase price | <u>\$330,000</u> |

The excess of cost of investment over net assets is deemed to have continuing value and is included as an asset of the Company.

The result of this subsidiary's operations since acquisition have been included in the consolidated financial statements.

Foreign Currency

The records of AGF Securities, Inc., a New York corporation, are maintained in U.S. dollars. The accounts have been translated into Canadian dollars for inclusion in the consolidated financial statements as follows: assets and liabilities at the rate of exchange in effect at November 30th, except fixed assets which are at rates in effect when acquired; income and expenses at average rates of exchange during the year, except depreciation and amortization which are calculated on the Canadian dollar cost of the related fixed assets. Unrealized losses on translation, which are not material, have been included in the consolidated statement of income.

Note 2

7½% Unsecured Convertible Debenture Due June 30, 1977

During the year the Company issued \$375,000 of 7½% unsecured convertible debentures maturing June 30, 1977 to certain employees (including \$331,250 to officers and/or shareholders). These debentures are convertible into Class B shares of the Company at the rate of 1 share for each \$5 of debenture principal. Holders have the right to convert 20% of the principal amount each year on a cumulative basis.

Note 3

Stock Options, Class B Non-voting Preference Shares

As at November 30, 1972 options to purchase 45,300 shares were outstanding at prices of \$3.40 and \$3.60 per share, including options for 28,600 shares granted to directors and officers. During the year ended November 30, 1972, options on 3,150 shares were exercised for a total cash consideration of \$11,000, options for 15,450 shares were terminated and options on 16,000 shares at \$3.40 per share were granted.

Note 4

Stock Dividend

By supplementary letters patent dated December 21, 1971, the authorized capital was increased by the creation of 1,858,173 3% non-cumulative redeemable non-voting Class A preference shares with a par value of 7¢ each.

On December 22, 1971 the Company declared out of tax-paid undistributed income a stock dividend of 1,858,173 Class A preference shares on the outstanding Class B and common shares recorded as at December 29, 1971, such shares being allotted at the rate of one such Class A share for each Class B and common share held. Taxes of \$22,954 were paid to create the tax paid undistributed income required.

On December 31, 1971 the Company redeemed at their par value all of the Class A shares outstanding at that date resulting in a payment of \$130,072.

This payment represented a distribution to shareholders of a portion of the Company's prior years' earnings.

Note 5

Dividend paid from tax-paid undistributed surplus on hand

On July 7, 1972 the Company paid a dividend out of tax-paid undistributed surplus on hand of 14¢ per share to the holders of outstanding Class B and common shares of the Company. Taxes of \$47,481 were paid to create the tax-paid undistributed surplus required.

Note 6

Remuneration of Directors and Senior Officers

During the year ended November 30, 1972 a total of thirteen directors and senior officers received direct remuneration totalling \$273,442 as compared with \$208,694 for ten directors and senior officers during the prior year.

Note 7

Long Term Leases

The Company jointly with another company, has leased premises at an annual rental of approximately \$207,000 for a period which terminates January 31, 1988. Other long term leases for varying periods of over two years require annual rental payments of approximately \$54,000.

Note 8

Pension Liability

As at November 30, 1972 the Company had an unfunded pension liability of \$83,306 which is being funded by annual payments of \$6,809 to 1989.

Note 9

Events subsequent to November 30, 1972

Acquisition of Canadian Security Management Limited

On December 8, 1972, the Company acquired all of the outstanding common shares of Canadian Security Management Limited, a firm engaged in the management and distribution of mutual funds, including Canadian Security Growth Fund Limited, Canadian Gas and Energy Fund Limited, Canadian Gas and Energy Fund International Limited and CSM Japan Fund Limited, which had assets totalling approximately \$83,000,000 at November 30, 1972. The vendors were given warrants exercisable to December 31, 1977 to subscribe for 100,000 Class B non-voting preference shares of the Company at \$7.50 per share, which price exceeded their market price at the date of acquisition.

A condition of the Purchase Agreement is that the Company make an exchange offer for all of the Canadian Security Management Limited Class A non-voting shares and share purchase warrants. The exchange offer is to be on the basis of 1 Class B non-voting preference share of the Company for every 7 Class A shares of Canadian Security Management Limited. Warrant holders of Canadian Security Management Limited are to be offered 1 warrant to purchase 1 Class B preference share of the Company at \$7.50 until December 31, 1977, for every 7 warrants of Canadian Security Management Limited held. If this offer is accepted by the holders of all the outstanding Class A shares and warrants of Canadian Security Management Limited, the Company will issue approximately 182,000 Class B shares and 28,500 warrants.

Another condition of the Purchase Agreement is that the Company will cause Canadian Security Management Limited to redeem the \$500,000 8% Convertible Debentures outstanding at December 8, 1972 within one year of that date or, at the option of the Company enter into an indenture of guaranty with respect to the Debentures.

The calculation of fully diluted earnings per share at November 30, 1972 does not take into account any shares which may be issued under the terms of the Purchase Agreement.

Loomis, Sayles & Company (Canada) Ltd.

The Company has entered into an agreement dated October 20, 1972 to purchase all of the outstanding shares of Loomis, Sayles & Company (Canada) Ltd., an investment counselling firm. For the agreement to become effective, the vendors must fulfill certain conditions no later than September 26, 1973. Until that date or until those conditions are fulfilled, Loomis, Sayles & Company (Canada) Ltd. has retained the Company to manage its operations.

Dividend Paid from Tax-Paid Undistributed Surplus on Hand

On January 4, 1973, the Company paid a dividend out of tax-paid undistributed surplus of 20¢ per share to the holders of the outstanding Class B and common shares of the Company. Taxes of \$64,402 were paid to create the tax-paid undistributed surplus required.

agf management limited

and its subsidiaries

g.e.f. management limited

agf securities, inc.

**a.g.f. montreal investment
management inc.**

**agf toronto investment
management inc.**

**agf vancouver investment
management limited**



management limited

head office
toronto dominion bank tower
toronto, ontario

member of
CMFA
The Canadian
Mutual
Funds
Association

**1972
semi-annual report**



agf management limited

manager and distributor of:

american growth fund limited

agf special fund limited

growth equity fund limited

canadian trustee income fund



Earnings on the Class "B" and common shares of the Company were 19¢ per share for the first half of our fiscal year ended May 31, 1972, compared with 10¢ per share for the same period last year. The Company's interim dividend payable July 7 is 14¢ per share (tax-free) as against 7¢ per share last year.

The sharp rise in the Company's net profits was due mainly to increased assets under management as a result of rising stock markets, higher administration fees and a vigorous cost-cutting program over the past twelve months.

Assets under the Company's management totalled approximately \$350,000,000 as of May 31, 1972 as against \$300,000,000 at the same time last year. Our major Funds again performed better than the stock market averages and this performance more than offset redemptions which, as in the mutual fund industry as a whole, are proving higher than normal.

Sales volume, on the other hand, remains unsatisfactory at the present time as the small investor has returned to the stock market only in a limited way in spite of the uptrend of the past two years.

Looking to the future we anticipate rising economic activity in both Canada and the United States through 1972 and 1973 and, with it, generally favourable market trends. Thus, both assets under management and sales volume should increase together over the period ahead.

During the past year we have continued to add to our products and services to the investing public. We have formed an investment counsel subsidiary in Vancouver to complement similar operations in Toronto and Montreal. We have developed and are offering to corporation executives and employees a new payroll deduction, deferred profit sharing plan. We are seeking to purchase further mutual fund assets, and are actively examining other facets of the financial service industry.

Thus, we look forward with confidence to a continuation of the Company's growth.

Toronto, Ontario
July 1972

W.A. Manford
President

CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED MAY 31, 1972
(with comparative figures for the six months ended May 31, 1971)

| | MAY 31 | |
|--------------------------------|-------------|-------------|
| | 1972 | 1971 |
| Revenue | \$2,610,297 | \$2,166,338 |
| Expenses | 1,883,979 | 1,780,050 |
| Net income before income taxes | \$ 726,318 | \$ 386,288 |
| Income taxes | 372,136 | 203,500 |
| Net income for the period | \$ 354,182 | \$ 182,788 |
| Earnings per share | \$.19 | \$.10 |

**CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

FOR THE SIX MONTHS ENDED MAY 31, 1972
(with comparative figures for the six months ended May 31, 1971)

| | MAY 31 | |
|---|-------------|-------------|
| | 1972 | 1971 |
| FUNDS PROVIDED | | |
| From operations — | | |
| Net income for the period | \$ 354,182 | \$ 182,788 |
| Add depreciation and amortization expense not requiring a current outlay of funds | 19,491 | 20,521 |
| | 373,673 | 203,309 |
| Proceeds from issue of 1100 Class B Shares | 10,280 | |
| Increase in interest of minority shareholders in net assets of subsidiaries | 4,029 | 3,580 |
| | 387,982 | 206,889 |
| FUNDS APPLIED | | |
| Purchase of office furnishings and equipment and leasehold improvements | 8,999 | 5,645 |
| Increase (Decrease) in other assets | 1,822 | (2,563) |
| Dividends paid | 130,072 | 222,981 |
| Taxes paid under Section 105(2) of the Income Tax Act (Canada) | 22,954 | 39,350 |
| | 163,847 | 265,413 |
| Increase (decrease) in working capital during the period | \$ 224,135 | \$ (58,524) |
| Working Capital May 31st | \$1,788,844 | \$1,403,746 |